

**FEBRUARY 20, 2018****INSIDE THIS ISSUE**

- **Queensland Fruit Fly Control Area Expanded in Australia**
- **Round Seven of North American Free Trade Agreement Negotiations**
- **Singapore To Increase Goods and Service Tax**
- **Recent U.S. Washing Machine and Solar Panel Trade Measures**
- **Department of Commerce Makes Public Steel and Aluminum Section 232 Reports**
- **South Korea Initiates World Trade Organization Complaint Against U.S. Trade Remedy Practices**

**A REPORT FOR
THE CALIFORNIA
CHERRY BOARD****GENERAL ISSUES OF INTEREST TO THE CCB:****Queensland Fruit Fly Control Area Expanded in Australia**

- Australian authorities are reporting that there is an active population of the Queensland fruit fly on the island state of Tasmania and that the control has been further expanded.
- The first detections were confirmed on Flinders Island, off the coast of Tasmania, at the end of January 2018. Days later, Taiwan put a blanket ban on fruit imports from Tasmania.
- While no other nations have yet blocked imports from Tasmania, Australia it is possible that other markets will follow suit in Taiwan's decision.
- Until recently, Tasmania was the only Australian state with preferential market access agreement in place with China for cherries, and the deal was struck due to Tasmania being recognized as a pest free area. The pest free area status was also instrument in security market access for Japan and South Korea.

Round Seven of North American Free Trade Agreement Negotiations

- The seventh round of the North American Free Trade Agreement (NAFTA) negotiations is scheduled to take place February 25 to March 5, in Mexico City.
- This past week, the U.S. Treasury Secretary Steven Mnuchin said it was a priority for the Trump administration to renegotiate NAFTA and expressed optimism in the renegotiation. However, according to media sources, he declining to speculate on the consequences of the U.S. withdrawing from the agreement.
- The early March deadline for concluding talks has been extended to at least early April, and it has been speculated that talks could last months longer. The exact dates of the eighth round have not yet been announced though it is expected to take place in late March or early April in the United States.

Singapore To Increase Goods and Service Tax

- The Government of Singapore plans to increase the goods and service tax (GST) from 7 percent to 9 percent sometime between 2021 and 2025.
- The four-year window falls beyond the current government's term, which will end in 2021, and the exact timing of the change will depend on the state of Singapore's economy.
- The widely expected GSP increase was announced by Singapore's Finance Minister Heng Sweet Keat as he delivered the Budget 2018 speech in Parliament. In 2017, the GST accounted for around 19 percent of the total tax revenue of Singapore.

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Recent U.S. Washing Machine and Solar Panel Trade Measures

- President Donald Trump on January 22 took a major step towards fulfilling his promises to be tough on China and protect U.S. producers, when he levied tariffs and quotas on imports of solar panels and washing machines from a number of nations including China.
- Largely seen as a reactionary move, China self-initiated a government investigation into whether U.S. sorghum exports to the Chinese market were being dumped and/or subsidized. In addition, the Chinese government has begun studying the potential impacts of launching anti-dumping and countervailing duty investigations into imports of soybeans from the U.S. – the largest supplier of soybeans to China.
- So far, China has launched only the sorghum investigation, and has not imposed any tariffs; however, if tariffs are placed on U.S. farm exports, trade disputes between the two nations could quickly escalate. President Trump is currently considering trade remedies such as tariffs and quotas on aluminum and steel imports on the basis of national security, a move which would also target Chinese imports.
- In addition to the Chinese investigation on U.S. sorghum, China, South Korea, Taiwan, and most recently, the European Union have formally asked the U.S. to discuss compensation for trade losses as a result of the solar panel tariffs. Since President Trump used Section 201 of the 1974 Trade Act, which enables the government to safeguard industries, the aforementioned WTO members will need to prove to a WTO dispute settlement panel that the U.S. restrictions on solar panels violated the WTO Agreement on Safeguards. The Agreement requires countries proposing to impose safeguard measures to compensate other WTO members for their trade losses. If no agreement is reached within 30 days of their requests, the European Union, China, Taiwan, and South Korea could begin proceedings to impose retaliatory tariffs on the U.S.

Department of Commerce Makes Public Steel and Aluminum Section 232 Reports

- On February 16, the U.S. Department of Commerce released its investigations into the impact on national security due to imports of steel mill products and from imports of wrought and unwrought aluminum. The investigations were carried out under Section 232 of the Trade Expansion Act of 1962.
- In the [Steel Report](#), Commerce recommends that the U.S. impose either a global tariff of at 24 percent on all imports of steel, a 50 percent tariff on imports from a list of 12 countries including China, India, and Vietnam, or a quota on all steel products from all countries at 63 percent of their 2017 export levels. Commerce, in the [Aluminum Report](#), recommends a global 7.7 percent tariff, a 23.6 percent tariff on products from China, Russia, Venezuela and Vietnam accompanied by quotas, or a quota of 86.7 percent of 2017 exports for all countries.
- Note, only 4 percent of U.S. imports of steel come from China. Most steel imports originate from U.S. allies such as Canada, Mexico, Japan, Korea, and the European Union, and if the President opts for a global tariff, these nations would be most affected. Policy responses that do not address the underlying problem of steel overcapacity could further tensions and increase trade disputes. The European Union has already made retaliatory threats if trade measures are placed on European products, and as mentioned above, China has self-initiated an investigation into U.S. sorghum exports and has begun studying U.S. soybean exports into China.
- President Trump has until April to make a final decision on what actions, if any, will be taken in both cases.

South Korea Initiates World Trade Organization Complaint Against U.S. Trade Remedy Practices

- On February 20, the World Trade Organization (WTO) [circulated](#) South Korea's request for consultations with the United States.
- This wide-ranging complaint is challenging the U.S. "Leveling the Playing Field Act" as well as the Department of Commerce's use of "adverse facts available" to set antidumping and countervailing duty margins. Using adverse facts available often increases dumping margins as Commerce can rely on price and cost data submitted by petitioners or other sources. South Korea alleges that Commerce disregards evidence and facts available in antidumping and countervailing duty investigations to apply adverse facts available and increase the duty rates.
- The complaint also claims that the U.S. violated WTO rules in antidumping and countervailing duty decisions involving certain steel products and large power transformers in which it used adverse facts.
- The request for consultations formally initiates a dispute in the WTO. Consultations give the parties an opportunity to discuss the matter and to find a satisfactory solution without proceeding further with litigation. After 60 days, if consultations have failed to resolve the dispute, the complainant may request adjudication by a panel.